Supreme Court, U.S.
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No. 85-2139

IN THE

Supreme Court of the United States

OCTOBER TERM, 1986

CHEMICAL ENGINEERING CORPORATION, ROBERT M. WILFONG, RUDY WILFONG, AND LAWRENCE D. GORDON,

Petitioners,

v.

LAURENE O. PATERSON AND MULTI-TEC, INCORPORATED,

Respondents.

On Petition For Writ Of Certiorari To The Michigan Court Of Appeals

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REPLY BRIEF BY PETITIONERS

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QUESTIONS PRESENTED

Petitioners in their Petition For Writ Of Certiorari To The Michigan Court Of Appeals stated the question presented in this case to be:

Whether Petitioners could be held liable under State trade secret law for using information after the information was *completely disclosed* to the public by Respondents in a *published* European patent application or whether the State is preempted by Federal law from holding public information to be trade secret?

Respondents, in their Brief in opposition, raise for the first time the following new questions:

(1) Would a holding by the Court, that information completely disclosed in a published European patent application could not be trade secret under State law, impose a patent law novelty requirement on trade secret law?

(2) If the determination of whether information is trade secret or in the public domain is a question of fact, was the trial court's determination that the information at issue was both trade secret and available to the public also a question of fact?

(3) Would a holding by the Court, that information completely disclosed in a published European patent application could not be trade secret under State law, per se preclude trade secrets in the United States upon foreign publication?

RULE 21.1 STATEMENT

All parties are the same as those before the Michigan Court of Appeals and Michigan Supreme Court. The action before the Lenawee County, Michigan Circuit Court was dismissed as to two additional defendants: Hillsdale Pump And Supply Company and Clymer's Geothermal Heating And Cooling. Their dismissal was not appealed.

RULE 28.1 STATEMENT

Chemical Engineering Corporation has no parent company, subsidiary or affiliate.

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REPLY BRIEF

OPINIONS BELOW

The opinions of the Circuit Court of Lenawee County of the State of Michigan are reprinted in Appendices E (App. p. 79a) and F (App. p. 93a) of Petitioners' Petition For Writ Of Certiorari. The opinion of the Michigan Court Of Appeals is reprinted in Appendix J (App. p. 112a) of Petitioners' Petition For Writ Of Certiorari. The Michigan Supreme Court's Order denying Petitioners' Petition For Leave To Appeal is reprinted in Appendix L (App. p. 150a) of Petitioners' Petition For Writ Of Certiorari.

REPLY OF PETITIONERS TO COUNTERSTATEMENT OF THE CASE

Respondents' European patent application was published on January 24, 1981 (DXH) before Petitioners terminated their relationship with Respondents and the first act of misappropriation alleged by Respondents occurred, and well over a year before Respondents initiated the case at Bar on October 20, 1982.

United States Patent Nos. 4,430,238 and 4,451,361 issued to Respondent Paterson matured from United States Patent Applications corresponding to Respondent's European patent application which provided priority under 35 U.S.C. 119 for the European patent application. (DXH) These United States patents were issued *subsequent* to all of the events with which the case at Bar is concerned. Although the issuance of these patents would be relevant to subsequently occurring questions such as: the effect of the patents upon the trial court's award of future damages for use of trade secrets; those questions are not before this Court.

ARGUMENT

I. Trade Secrets Do Not Require Patent Law Novelty

Respondents have argued in their Brief that a holding that the publication of a European patent application precludes a finding that the information published was trade secret, would impose Patent Law novelty requirement on State trade secret law. State trade secret law does not require Patent Law novelty and Petitioners have not contended that it should.

Petitioners do not question State trade secret law as applied to *secret* information. Petitioners only question the application of State trade secret law to *public* information. The requirement that trade secrets be *secret* can be explained in terms of minimum novelty, as this Court noted in *Kewanee Oil Company v. Bicron Corp.*, 416 U.S. 470, 476 and 484 n. 13 (1974):

> "Novelty, in the patent law sense, is not required for a trade secret . . . however, some novelty will be required if merely because that which does not possess novelty is usually known; secrecy, in the context of trade secrets, thus implies at least minimal novelty."

Respondents would use this requirement of minimal novelty to incorrectly infer that Petitioners are advocating State trade secret law requires patent law novelty. Respondents state in their Brief at p. 5:

> "In *Kewanee*, this Court recognized that since trade secret information is, by definition, information not in the public domain, State protection of trade secrets does not conflict with this policy."

Using *Kewanee* as their support, Respondents are advocating that a State has the absolute power to define trade secrets. Nothing is further from the truth. A State's power to define trade secrets is *only* absolute so long as the definition chosen does not conflict with Federal Patent and Copyright Laws.

Since by dictionary definition "secrecy" requires affirmative action on the part of the secret holder:

> "Secret n 1a: something kept hidden or unexplained: mystery b: something kept from the

knowledge of others or shared only confidentially with a few c: a method, formula or process used in an art or a manufacturing operation and divulged only to those of one's own company or craft d pl: the practices or knowledge making up the shared discipline or culture of an esoteric society" Webster's Seventh New Collegiate Dictionary, G. & C. Merriam Company (1970)

"Secret. Concealed; hidden; not made public; particularly, in law, kept from the knowledge or notice of persons liable to be affected by the act, transaction, deed, or other things spoken of" Black's Law Dictionary, revised 4th Edition, West Publishing Company (1968)

and "public domain" is defined as being not subject to the copyright and patent laws (a single publication anywhere in the world would prevent published information from being copyrighted or patented):

"Public domain n **2: the realm embracing property rights that belong to the community at large, are unprotected by copyright or patent, and are subject to appropriation by anyone." Webster's Seventh New Collegiate Dictionary, G. & C. Merriam Company (1971)

"Public domain. Literary, musical or dramatic compositions so dedicated to the public as not to be subject to copyright. 18 Am Jur 2d Copyright § 42; A device or process so well known and in such common use as not to be patentable. 40 Am Jur 1st Patent § 25" Ballentine's Law Dictionary, Third Edition, The Lawyers Cooperative Publishing Company (1969);

this Court in *Kewanee* and the dictionary definitions align themselves against the definitions of the terms "secret" and "public domain" used by Respondents. A precise reading of *Kewanee*, leaves no doubt that this Court meant that a State may only define trade secrets so as not to conflict with the Federal copyright and Patent laws.

If "secrecy" and "public domain" were defined as Respondent's propose, a publication would have different consequences under the Federal patent laws (35 U.S.C. 102 and 103) than under State trade secret law and Federal preemption of State trade secret law would result. Information as a result of its publication cannot be both unpatentable and/or uncopyrightable under Federal law and still be protectable under State trade secret law. Only proper definitions of the terms "trade secret" and "public domain" have allowed State trade secret law and Federal patent law to coexist. As stated in *Kewanee*:

> "trade secret law and patent law have coexisted in this country for over 100 years. Each has its particular role to play, and the operation of one does not take away from the need for the other." *Kewanee*, 416 U.S. at 493.
>
> * * *
>
> "The States may hold diverse viewpoints in protecting intellectual property relating to invention as long as they do not regulate in conflict with the operation of the laws passed in this area by Congress." *Kewanee*, 416 U.S. at 479.

If a State's power to define trade secrets were absolute as Respondents propose, State trade secret law would not even be subject to review by this Court.

II. Secrecy Versus Public Domain: Issue Of Fact Or Law

Respondents also argue that it was a question of fact whether the information at issue was trade secret or in the public domain. The trial court, however, found that the information at issue was both trade secret and available to the public, that is, both in the public domain and not in the public domain. The irreconcilable conflict in the trial court's findings presents a question of law.

III. Trade Secrets Are Not Per Se Precluded By Publication

Respondents finally argue that Petitioners request this Court to hold that a publication in Europe *per se* places the information in the public domain and destroys Respondents' trade secrets. Petitioners *do not* seek such a holding from this Court, unless the information *published* is the alleged trade secret.

In all cases, where content of the trade secrets and the published patent application are at issue, a comparison of the published patent application and the alleged trade secrets is required to determine if the trade secrets were disclosed by the patent application. What distinguishes the case at Bar, is that Respondents have stipulated that Respondents' published European patent applications discloses all of Respondents' trade secrets (Trial Transcript pp. 233-234, Petition for Writ of Certiorari, p. 9, footnote 2). Petitioners contend that after publication of such a document, all of the information so published is in the public domain and cannot be the subject of a trade secret under State law.

CONCLUSION

For the above reasons, and for the reasons presented in Petitioners' Petition For Writ Of Certiorari To The Michigan Court Of Appeals, Petitioners pray that the Petition For Writ Of Certiorari be granted.

Respectfully submitted,

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